



Annual Financial Statements for
ZULULAND DISTRICT MUNICIPALITY
for the year ended 30 June 2016

Province:

KwaZulu Natal

Contact information:

Name of Municipal Manager:

J.H. DE KLERK

Name of Chief Financial Officer:

S.B. NKOSI

Contact telephone number:

358 745 500

Contact e-mail address:

mm@zululand.org.za

Name of contact at provincial
treasury:

NOMFUNDO SHONGWE

Contact telephone number:

033 897 4423

Contact e-mail address:

nomfundo.shongwe@kzntreasury.gov.za

Name of relevant Auditor:

Auditor General

Contact telephone number:

332 647 400

Contact e-mail address:

JonathanS@agga.co.za

Name of contact at National
Treasury:

Unathi Ndobeni

Contact telephone number:

012 315 5103

Contact e-mail address:

unathi.ndobeni@treasury.gov.za

ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

Index	Page
General Information	1-2
Approval of Financial statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement Comparison of Budget and Actual Amounts	8
Accounting Policies	9-20
Notes to the Financial Statements	21-43
Appendix A: Schedule of External Loans	44
Appendix B: Analysis of Property, Plant and Equipment	44-47
Appendix C: Analysis of Heritage Assets	48-49
Appendix D: Segmental Analysis of Property, Plant and Equipment	50
Appendix E: Segmental Statement of Financial Performance	51
Appendix F: Grants & Subsidies Received	52
Appendix G: Statement of Comparative and Actual Information	

**ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

1 Cllr MA Hlatshwayo	Mayor
2 Cllr V O Mbuyisa	Speaker
3 Cllr SE Qwabe	Deputy Mayor
4 Cllr S Ntombela	Member of the Executive Committee
5 Cllr B B Zwane	Member of the Executive Committee
6 Cllr ME Khumalo	Member of the Executive Committee
7 Cllr S E Nkwanyana	Member of the Executive Committee
8 Cllr SR Nkosi	Member
9 Cllr M M Mntungwa	Member
10 Cllr M B Mabaso	Member
11 Cllr ZS Buthelezi	Member
12 Cllr R B Mhlungu	Member
13 Cllr N J Mjaja	Member
14 Cllr Z Siyaya	Member
15 Cllr T B Lukhele	Member
16 Cllr SJ Zulu	Member
17 Cllr BJ Mncwango	Member
18 Cllr BC Nhlabathi	Member
19 Cllr KE Nxumalo	Member
20 Cllr IA Mbatha	Member
21 Cllr NM Nhlabathi	Member
22 Cllr RM Zulu	Member
23 Cllr MT Lushaba	Member
24 Cllr NF Zulu	Member
25 Cllr MS Ntshangase	Member
26 Cllr ISM Hadebe	Member
27 Cllr ME Buthelezi	Member
28 Cllr Mkhize TK	Member
29 Cllr Ximba SP	Member
30 Cllr TL Khumalo	Member
31 Cllr PTAN Buthelezi	Member
32 Cllr LS Dumakude	Member
33 Cllr N Xaba	Member
34 Cllr TJ Khumalo	Member
35 Cllr Dlamini QM	Member

**ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016**

General information (continued)

Municipal Manager

J.H. de Klerk

Chief Financial Officer

S.B. Nkosi

Grading of Local Authority

4

Auditors

Auditor-General South Africa

Bankers

ABSA Bank Limited

Registered Office:

ZULULAND DISTRICT MUNICIPALITY

Physical address:

B-400 GAGANE STREET
ULUNDI
3838

Postal address:

PRIVATE BAG X76
ULUNDI
3838

Telephone number:

035 874 5500

Fax number:

035 874 5589/91

E-mail address:

mm@zululand.org.za

ZULULAND DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages **4 to 52**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Municipal Manager: Mr J H De Klerk

31 August 2016

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	2016 R	2015 R
ASSETS			
Current assets		50 744 371	33 034 742
Cash and cash equivalents	2	6 000	6 000
Trade receivables from exchange transactions	3.1.	12 198 989	8 103 144
Other receivables from exchange transactions	3.2.	207 762	177 118
Other receivables from non-exchange transactions	4 & 38	5 538 033	12 956 283
Inventories	5	4 066 850	5 507 329
Prepayments	6	818 807	759 931
VAT receivable	13	27 907 930	5 524 936
Non-current assets		2 585 723 377	2 263 195 582
Non-current receivables	7	4 978 396	5 224 345
Property, plant and equipment	8	2 579 189 307	2 256 246 033
Heritage assets	9	1 151 452	1 151 452
Intangible assets	10	404 222	573 752
Defined benefit plan asset	52		
Total assets		2 636 467 747	2 296 230 324
LIABILITIES			
Current liabilities		117 670 292	132 470 935
Trade and other payables from exchange transactions	11	60 071 753	76 632 228
Consumer deposits	12	3 334 106	3 329 844
Current provisions	14	7 247 038	6 814 881
Bank overdraft	2	33 437 872	45 486 859
Vat Payable	12	-	
Payables from non-exchange transactions	15	13 579 523	207 123
Non-current liabilities		19 562 420	15 738 325
Rental deposits held	17	2 420	5 325
Post retirement benefit obligations	39	19 560 000	15 733 000
Total liabilities		137 232 711	148 209 259
Net assets		2 499 235 036	2 148 021 064
NET ASSETS			
Accumulated surplus / (deficit)		2 499 235 036	2 148 021 064
Total net assets		2 499 235 036	2 148 021 064

BAALAND DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2016

	Note	2016	2015 R
Revenue from Exchange Transactions		33 510 640	43 547 912
Service charges	18	25 445 343	29 948 179
Rental of facilities and equipment	19	168 908	178 377
Interest earned - external investments	20	3 617 095	2 037 921
Other revenue from exchange transactions	23	4 279 294	3 701 241
Reversal of contribution to doubtful debts	3		7 682 194
Revenue from Non-Exchange Transactions		862 928 809	659 487 058
Government grants and subsidies received	22.1	862 901 048	659 449 094
Other revenue from non-exchange	22.1	27 761	37 964
Total revenue		896 439 449	703 034 970
Expenses			
Employee related costs	24	155 418 983	144 055 908
Remuneration of councillors	25	6 634 007	6 221 335
Contribution to Doubtful debts	3	3 637 349	-
Depreciation and amortisation expense	26.1	53 097 602	45 070 211
Repairs and maintenance	26.2	29 008 536	41 115 042
Bad debts	50	1 344 707	8 246 053
Employee benefits	39	3 827 000	15 733 000
Bulk Water purification and Sewer Treatment	28	70 126 510	74 180 428
Contracted services	29	16 206 932	14 862 961
Grants and subsidies paid	30	-	200 000
General expenses	31	205 429 743	204 716 127
Total expenses		544 731 370	554 401 066
Gains on sale of assets	32	83 837	167 119
Financial Loss Recovered	42		1 097 113
Surplus / (deficit) for the period		351 791 916	149 898 135

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2016

DETAILS	Note	Accumulated Surplus/(Deficit) R
Balance at 30 June 2014		1 995 801 301
Correction of prior period error	38	1 202 662
Restated Balance at 30 June 2014		1 997 003 963
Transfers to accumulated surplus		517 785
Surplus / (deficit) for the period - 2014/15		149 898 135
Balance at 30 June 2015		2 147 419 884
Correction of prior period error	38	601 181
Restated Balance at 30 June 2015		2 148 021 064
Other movements		(577 944.4)
Surplus / (deficit) for the period		351 791 916
Balance at 30 June 2016		2 499 235 036

ZIHLILAND DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
For the year ended 30 June 2016

	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flows from operating activities	33	380 479 142	175 668 555
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		(372 254 250)	(231 383 061)
Purchase of Property, Plant and Equipment		(376 040 876)	(233 345 000)
Decrease in intangibles		169 530	-
Proceeds from sale of Property, Plant and Equipment		-	395 346
Interest-Investments		3 617 095	2 037 918
Purchase of intangible assets		-	(471 325)
Proceeds from sale of investments			
Purchase of foreign currency securities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in rental deposits held		3 824 095	15 733 000
Increase in post retirement benefit obligations		-2905	
		3 827 000	15 733 000
Net increase / (decrease) in net cash and cash equivalents			
Net cash and cash equivalents at beginning of period		12 048 987	(39 981 507)
Net cash and cash equivalents at end of period	34	(45 480 859)	(5 499 352)
		(33 431 872)	(45 480 859)

ZULULAND DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

for the year ended 30 June 2018

Actual 2015	Description	Actual 2016	Approved Budget 2016	Adjustments	Final Budget 2016	Difference	Comments
	Revenue						
29 948 179	Service charges	25 445 343	31 668 405	-6 223 062	25 445 343	-0	
178 377	Rental of facilities and equipment	168 908	158 000		158 000	10 908	Budget was based on the last financial year's actual.
2 037 921	Interest earned - external investments	3 617 095	1 000 000	1 071 000	2 071 000	1 546 095	interest is based on estimated capital investments that fluctuate during the year.
	Reversal of provision for doubtful debts						
659 449 094	Government grants and subsidies	862 901 048	834 199 000	29 367 118	863 566 118	-665 070	
11 421 399	Other income	4 307 055	95 356 784	42 848 207	138 204 991	-133 897 936	Due to the appropriation of accumulated reserves used to finance the budget
703 034 970	Total revenue	896 439 449	962 382 190	67 063 263	1 029 445 453	133 006 004	
	Expenses						
144 055 908	Employee related costs	155 418 983	149 580 695	12 997 496	162 578 191	7 159 208	savings was reallocated to salaries to cater for salaries more than budget and it includes employee benefits
6 221 335	Remuneration of councilors	6 634 007	6 175 455	150 000	6 325 455	-308 652	
8 246 053	Bad debts	1 344 707				-1 344 707	Based on actual debt impairment
45 070 211	Depreciation and amortisation expense	53 097 602	32 565 000	16 100 000	48 665 000	-4 432 602	Other Assets are purchased at different intervals during the year and some were not capitalised since they are still in progress.
41 115 042	Repairs and maintenance	29 098 536	34 035 000		34 035 000	5 026 464	Savings achieved
15 733 000	Employee benefits	3 827 000	-	-	-	-3 827 000	No budget for employee benefits
74 180 428	Bulk Water purification and Sewer Treatment	70 126 510	84 868 000	-5 000 000	79 868 000	9 741 490	bulk water purchases is fully spent as a results of refurbishment works conducted at the plants. The figure on the AFS exclude VAT but Budget include VAT
14 862 961	Contracted services	16 206 932	13 348 000	5 763 182	19 111 182	2 904 250	There are savings in the budget
200 000	Grants and subsidies paid	-	1 861 000	-1 831 000	30 000	30 000	Funded organisations could not prove prior year expenditure and it was agreed that money will not be transferred
204 716 127	General expenses	209 067 092	136 563 040	7 289 827	143 852 867	-65 214 225	Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset, that resulted to the expenditure being operating and included in the financial performance
554 401 066	Total expense	544 731 370	458 996 190	35 469 505	494 465 695	-50 265 674	
167 119	Gains / (losses) on sale of assets	83 837		-	-	-	
1 097 113	Financial Loss Recovered	-	-	-	-	-	
149 898 136	Suplus/ (Deficit) for the period	351 791 917	503 386 000	31 593 758	534 979 758	183 271 678	

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied except where a transitional provision has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Current Provisions.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

The presentation and classification of items in the current year is consistent with prior periods.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

The following Standards of GRAP have been issued by the Accounting Standards Board but have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

Standard number	Standard name	Effective date (if applicable)
GRAP 18	<i>Segment Reporting</i>	<i>No effective date</i>
GRAP 20	<i>Related Party Disclosures</i>	<i>No effective date</i>
GRAP 32	<i>Service Concessions Arrangement Grantor</i>	<i>No effective date</i>
GRAP 105	<i>Transfer of Functions Between Entities Under Common Control</i>	<i>No effective date</i>
GRAP 106	<i>Transfer of Functions Between Entities Not Under Common Control</i>	<i>No effective date</i>
GRAP 107	<i>Mergers</i>	<i>No effective date</i>
GRAP 108	<i>Statutory Receivables</i>	<i>No effective date</i>

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

GRAP 18: SEGMENT REPORTING

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 20: RELATED PARTY DISCLOSURES

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

It is unlikely that the standard will have a material impact on the municipality's financial statements.
For the year under review, the municipality has applied IPSAS 20.

GRAP 25: EMPLOYEE BENEFITS

The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 31: INTANGIBLE ASSETS

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

There is no impact of the standard on adoption.

GRAP 105: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities not under common control.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: MERGERS

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

Impact on the municipality's financial statements once implemented:

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The major components are depreciated separately over their useful lives.

Where an asset is acquired by the municipality for no consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the an assets' residual value where applicable.

The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Water	15-70 years
Sewerage	15-70 years

Community

Buildings	30 years
Recreational Facilities	20-30 years

Finance lease assets

Office equipment	5 years
------------------	---------

Other

Buildings	30 years
Specialist vehicles	7 years
Other vehicles	7 years
Office equipment	3-7 years
Furniture and fittings	7 years
Emergency equipment	10 years
Computer equipment	5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1.7.4 DE-RECOGNITION OF HERITAGE ASSETS

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the Statement of Financial Performance.

1.7.5 TRANSITIONAL PROVISIONS

The municipality utilises the transitional provisions under Directive 4, which allows three (3) years for the measurement of heritage assets.

1.8 INTANGIBLE ASSETS

1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5-7 years
-------------------	-----------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016**

1.8.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 INVENTORIES

1.9.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (FIFO).

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.10.3 DERECOGNITION

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition.

1.11 INVESTMENT PROPERTY

1.11.1 INITIAL RECOGNITION AND MEASUREMENT

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably. At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1.11.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11.3 IMPAIRMENTS

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

1.11.4 DERECOGNITION

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.12 BIOLOGICAL ASSETS

1.12.1 RECOGNITION

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment).

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- o The entity controls the asset; and
- o Future economic benefits or service potential from the asset is probable; and
- o The fair value or cost of the asset can be determined.

1.12.2 MEASUREMENT

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest. Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs

When measuring the biological asset at fair value less point-of-sale costs at initial recognition a gain arises on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

1.12.2 DERECOGNITION

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1.13 FINANCIAL INSTRUMENTS

1.13.1 INITIAL RECOGNITION

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost

1.13.2 MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP 104 Standard on Financial Instruments, is in accordance with IAS 39.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

1.13.3 IMPAIRMENTS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

1.13.4 RECOGNITION

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.9 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016**

1.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.11 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 LEASES

1.16.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

1.16.2 MUNICIPALITY AS A LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.17 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.18 REVENUE

1.18.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by the council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

1.18.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.18.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

1.19 BORROWING COSTS

Borrowing cost are recognised as an expense in Statement of Financial Performance in the period they become due and payable.

1.20 EMPLOYEE BENEFITS

Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

Pension obligations

The Municipality's personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

ZULULAND DISTRICT MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2016

Municipal Councillors

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

1.21 VAT

VAT is accounted for on the payment basis i.e. VAT is paid over to SARS only once payment is received from debtors and/ or when actual payment is made to creditors.

1.22 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP 24. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2015 to 30 June 2016.

1.23 CAPITAL COMMITMENTS

Most of infrastructure projects are multi-year projects that requires budget funding over certain period of years. At year-end reporting date some funds are committed and contract signed with various contractors to carry out construction of infrastructure projects. Some funds are committed but not yet contracted for. Committed amount is net of VAT.

1.24 NON-CASH-GENERATING ASSETS

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP 21 is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Notes	2016 R	2015 R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		6 000	6 000
Call deposits		-	-
		<u>6 000</u>	<u>6 000</u>
The Municipality has the following bank accounts: -			
Current Account (Primary Bank Account)			
ABSA BANK-KZN Public Sector Branch: 4047162045			
Cash book balance at beginning of year		(45 486 859.0)	(5 499 352)
Cash book balance at end of year		<u>-33 437 872.45</u>	-
Bank statement balance at beginning of year		-	11 200 997
Bank statement balance at end of year		-	-
Cash on hand		6 000	6 000
Total cash and cash equivalents		<u>6 000</u>	<u>6 000</u>
Total bank overdraft		<u>33 437 872</u>	<u>45 486 859</u>
All Accounts			
Abesa Bank (20-7293-6439)		-	-
First National Bank (IDS3607016)		-	-
Standard Bank (9864660)		-	-
Investec		-	-
Total		<u>-</u>	<u>-</u>

3.1 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for doubtful Debts R	Net Balance R
Trade receivables			
as at 30 June 2016			
Service debtors (Water and Sanitation)	72 199 357	60 000 368	12 198 989
Total	<u>72 199 357</u>	<u>60 000 368</u>	<u>12 198 989</u>
as at 30 June 2015			
Service debtors (Water and Sanitation)	64 466 163	56 363 019	8 103 144
Total	<u>64 466 163</u>	<u>56 363 019</u>	<u>8 103 144</u>
	<u>64 466 163</u>	<u>56 363 019</u>	<u>8 103 144</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note	2016 R	2015 R
Water and Sewerage: Ageing		
Current (0 - 30 days)	5 189 059	2 686 613
31 - 60 Days	2 652 085	1 765 851
61 - 90 Days	1 230 273	1 719 592
91 - 120 Days	1 600 580	1 592 412
121 - 365 Days	61 526 770	9 677 446
+ 365 Days	-	47 024 249
Total	72 198 357	64 466 163

Summary of Debtors by Customer Classification

Consumers	Industrial/Commercial	National & Provincial Government
-----------	-----------------------	-------------------------------------

R

as at 30 June 2016

Current (0 - 30 days)	3 571 945	459 710	1 153 014
31 - 60 Days	1 866 836	199 458	585 770
61 - 90 Days	890 843	81 784	257 646
91 - 120 Days	1 097 935	210 816	281 829
121 - 365 Days	53 871 774	799 950	6 055 048
+ 365 Days	-	-	-
Sub-total	61 299 333	1 751 719	9 148 305
Less: Provision for doubtful debts	-	-	-
Total debtors by customer classification	61 299 333	1 751 719	9 148 305

at 30 June 2015

Current (0 - 30 days)	1 179 772	600 913	905 928
31 - 60 Days	941 868	308 320	515 853
61 - 90 Days	973 638	264 356	481 598
91 - 120 Days	937 708	374 080	280 615
121 - 365 Days	7 546 429	1 026 436	1 104 581
+ 365 Days	43 150 838	1 183 754	2 689 656
Sub-total	54 730 252	3 757 869	5 978 042
Less: Provision for doubtful debts	-	-	-
Total debtors by customer classification	54 730 252	3 757 869	5 978 042

3.1 Reconciliation of the doubtful debt provision

Balance at beginning of the year	56 363 021	54 045 215
Contributions to provision	3 637 349	-
Reversal of provision	-	(7 692 194)
Total	60 000 370	56 363 021
Balance at end of year	60 000 370	56 363 021

Trade and other receivables past due but not impaired

Trade and other receivables which are regular payers with amounts owing less than 60 days past due are not considered to be impaired. At 30 June 2016, R12 198 989- (2015: R8 103 144) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Less than 60 days past due	3 237 428	1 304 452
Less than 180 days past due	8 961 560	6 798 692
	12 198 989	8 103 144

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note	2016 R	2015 R
Trade and other receivables impaired		
As of 30 June 2015, trade and other receivables of R56 363 021 - (2015: R58 363 019) were impaired and provided for.	60 000 370	56 363 021
The ageing of these receivables is as follows:		
3 to 6 months	6 699 613.57	5 072 463
Over 6 months	53 400 754.36	51 290 558

The fair value of trade and other receivables approximates their carrying amounts.

3.2. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Debtor: Ondini Motors	5 606	
Debtor: Avis	14 751	5 364
Debtor: Wapthatha Group Pty Ltd	12 184	18 774
Debtor: Imbali Elegance Tourism	32 184	16 092
Debtor: Independent Electoral Commission (IEC)		
Debtor: WSSA	0 140	
Debtor: BP Drakensburg	136 888	136 888
Total	207 762	177 118

4. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Debtor: Interest on Investment (Call accounts)		13 631
Debtor: Babazile Mpanza	179 300	
Debtor: WSSA		
Debtor: BG Shawa		
Debtor: B Mthabela	20 000	
Debtor: S S Nkambule	5 710	17 740
Debtor: ISM Hadeba		23 043
Debtor: Mithethwa TW Group Life		
Debtor: JB Dlamini	18 440	18 440
Debtor: Natal Spa		
Debtor: Insurance Claim	202 679	202 679
Debtor: Ulundi Municipality	503 854	
Debtor: Dumbie Municipality	369 621	
Debtor: Abaqulusi Municipality	519 268	
Debtor: Nongoma Municipality	304 255	
Debtor: Federal Air Lines		
Debtor: Newlyn M	3 000	
Debtor: KZN Aviation		
Debtor: SCN Zungu	4 957	
Debtor: Young Mazi	9 800	
Debtor: Pongola Municipality	236 609	
Debtor: ZM Ngwenya		347
Bursary debtors		6 280
Debtor: ABSA Bank	2 234	7 604
Debtor: Water Affairs	3 078 630	12 668 538
Bursary Debtor		
Fleet: Suspense		
Other Debtors (Accrued income)	80 878	
Total	5 538 033	12 956 283
Adjusted for Correction of Error (Note 38)		
Total Other Debtors	5 538 033	12 956 283

5. INVENTORY

Opening balance of inventories:		
Consumable store & water stock	3 676 387	5 201 962
Fuel Stock	190 463	305 368
Total	4 066 850	5 507 329
Adjusted for Correction of Error (Note 38)		
Total Inventory	4 066 850	5 507 328

Stock was incorrect allocation of stock from 2013/14 financial year reporting

6. PREPAYMENTS

Prepaid expenses	128 887	70 011
Federal Air deposit	689 920	689 920
	818 807	759 931

Pre-payments include Eskom electricity account with credit balances and deposit on aviation contract paid to Federal Air.

7. NON-CURRENT RECEIVABLES

Debtor: Eskom Deposits	4 972 352	5 218 301
Deposit: Property 165 President Str, Vryheid	6 044	6 044
Total	4 978 396	5 224 345

Eskom Deposit: is payable when an application is made to connect a new water scheme for the Eskom line supply.

Rent Deposit: this is the deposit payable in terms of the office lease agreement.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

8 PROPERTY, PLANT AND EQUIPMENT

8 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Capital work in Progress	Other Assets	Total
	R	R	R	R	R	R	R
as at 1 July 2015	470 000	45 445 592	1 528 537 101	14 933 380	893 005 314	57 498 731	2 255 671 316
Cost/Revaluation	470 000	44 318 891	1 528 780 790	14 933 380	892 487 529	56 378 880	2 253 348 380
Correction of Error	-	1 126 601	63 727	-	517 785	510 572	2 218 685
Other Adjustments	-	-	-	-	-	-	-
Restated Cost Balance 1 July 2015	470 000	45 445 592	1 528 824 517	14 933 380	893 005 314	56 889 261	2 541 568 064
Accumulated depreciation and impairment losses @ 30 June 2015	-	(10 686 538)	(244 004 849)	(790 220)	-	(28 219 717)	(284 711 325)
Correction of Error	-	(339 987)	(19 725)	-	-	(247 755)	(607 477)
Other Adjustments	-	-	812 584	-	-	(1 390 530)	(577 945)
Restated Balance on Accumulated depreciation @ 1 July 2015	-	(11 036 535)	(243 211 980)	(790 220)	-	(30 868 002)	(285 886 749)
Transfers	-	-	-	-	-	-	-
Other movements	-	-	370 461 887	-	(370 461 887)	-	-0.00
Acquisitions	-	-	107 716	-	-	482 208	589 925
Capital under Construction	-	-	-	-	376 000 138	-	376 000 138
Depreciation	-	(1 238 162)	(42 625 238)	(2 133 560)	-	(6 934 339)	(52 931 298)
Carrying value of disposals	-	-	(33)	-	-	(140 740)	(140 773)
Cost/Revaluation	-	-	(72)	-	-	(2 457 613)	(2 457 685)
Accumulated depreciation and impairment losses	-	-	39	-	-	2 316 873	2 316 912
as at 30 June 2016	470 000	33 170 894	1 613 556 869	12 009 600	898 543 555	21 438 388	2 579 189 307
Cost/Revaluation	470 000	45 445 592	1 888 364 059	14 933 380	898 543 555	56 913 856	2 915 700 442
Transfers	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(12 274 698)	(285 837 190)	(2 923 780)	-	(35 475 468)	(338 511 135)

Refer to Appendix B for more detail on property, plant and equipment

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 30 June 2015

8 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Capital Works Progress	Other Assets	Total
	R	R	R	R	R	R	R
Restated balance at 1 July 2014	470 000	20 313 321	1 187 160 805	14 548 686	813 181 437	31 079 198	2 066 753 448
Cost/Revaluation reclassification 1	470 000	43 476 034	1 382 104 989	14 933 380	813 181 437	52 015 213	2 306 181 053
Cost/Revaluation reclassification 2	-	(9 525 760)	9 525 760	-	-	-	-
Other movements	-	(4 167 611)	3 005 776	-	-	1 181 836	-
restated opening balance at 30 June 2014	470 000	28 782 663	1 394 636 524	14 933 380	813 181 437	961 062	2 307 142 114
Correction of error (note 48)	-	587 416	13 173 429	(349 764)	-	(620 478)	12 800 613
Accumulated depreciation and impairment losses	-	(10 066 757)	(220 649 148)	(34 940)	-	(22 438 435)	(253 189 280)
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	14 536 329	135 580 685	-	(160 540 490)	5 816 589	(4 528 887)
Other movements*	-	-	-	-	-	-	-
Acquisitions	-	-	(823 871)	-	-	-	(823 871)
Capital under Construction	-	-	-	-	239 846 582	-	239 846 582
Depreciation	-	(1 227 197)	(35 716 622)	(405 527)	-	(7 551 258)	(44 900 504)
Carrying value of disposals	-	-	(1 425 056)	-	-	(185 557)	(1 610 613)
Cost/Revaluation	-	-	(1 436 419)	-	-	(1 576 011)	(3 012 429)
Accumulated depreciation and impairment losses	-	-	11 363	-	-	1 380 453	1 401 816
Restated balance at 1 July 2015	470 000	33 622 453	1 284 755 941	14 143 160	892 487 529	29 158 972	2 254 638 055
Cost/Revaluation	470 000	29 782 663	1 393 200 105	14 933 380	1 053 028 019	52 582 100	2 543 976 287
Transfers	-	14 536 329	135 580 685	-	(160 540 490)	5 816 589	(4 628 887)
Accumulated depreciation and impairment losses	-	(10 696 539)	(244 004 849)	(790 220)	-	(29 218 717)	(284 711 325)

Reclassification

1. The amount of 9525760 comprises of Airport Runway incorrectly included as buildings instead of being Infrastructure.
2. This amount comprises of amounts like airconditioners previously included as buildings instead of being an Infrastructure and other assets

Other movements 1

disclosed as finance lease assets that were fully

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

9 HERITAGE ASSETS

9 Reconciliation of Carrying Value

	Art collections		Stamp collections		Collections of rare books or manuscripts		Historical buildings		Work in Progress		Total
	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2015	-	-	-	-	-	-	-	-	1 151 452	-	1 151 452
Cost/Revaluation	-	-	-	-	-	-	-	-	1 151 452	-	1 151 452
Correction of error (note 48)	-	-	-	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-	-	-	-
as at 30 June 2016	-	-	-	-	-	-	-	-	1 151 452	-	1 151 452
Cost/Revaluation	-	-	-	-	-	-	-	-	1 151 452	-	1 151 452
Transfers	-	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-	-

Refer to Appendix C for more detail on Heritage Assets

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

9 Reconciliation of Carrying Value

as at 1 July 2014
 Cost/Revaluation

Acquisitions
 Capital under Construction

Impairment loss/Reversal of impairment loss
 Transfers
 *Other movements

as at 30 June 2015
 Cost/Revaluation
 Impairment losses

	Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Work in Progress	Total
	R	R	R	R		R
as at 1 July 2014	-	-	-	-	1 151 452	1 151 452
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Acquisitions	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-
as at 30 June 2015	-	-	-	-	1 151 452	1 151 452
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Impairment losses	-	-	-	-	-	-

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

10 INTANGIBLE ASSETS

1* 1 Reconciliation of carrying value

	Note	Computer Software R	Total R
as at 1 July 2015		573 752	573 752
Cost		960 873	960 873
Accumulated amortisation and impairment losses		(387 121)	(387 121)
Acquisitions			
Amortisation			
Other movements		(169 530)	(169 530)
Transfers			
Carrying value of disposals			
Cost		(131 360)	(131 360)
Accumulated amortisation		131 360	131 360
as at 30 June 2016		404 222	404 222
Cost		829 513	829 513
Accumulated amortisation and impairment losses		(425 292)	(425 292)

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
11	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Creditors Control Account		11 389 311	34 081 578
Bank deposits not receipted		39 531	74 249
Rental deposit Ekobethelo		5 000	5 000
Rental deposit Avia		2 682	2 682
Rental deposit VwapheJwa Group (Pty) Ltd		2 692	2 682
Rental deposit Imbali Elegance Tourism		2 682	2 582
CREDITOR CIVIL CONTRACT		170 837	
Creditor previous year/year end		3	
Retention		47 001 458	41 851 091
Water & Sanitation Debtors with Credit Balances		1 458 467	1 008 128
Total		60 071 753	76 628 090
Adjusted for Correction of Error (Note 36)			(185 862)
Total Restated Creditors		60 071 753	76 632 228
12	CONSUMER DEPOSITS		
Water		3 334 106	3 329 844
Total consumer deposits		3 334 106	3 329 844
ZDM does not pay interest on deposits refunded.			
13	VAT RECEIVABLE		
Vat		36 681 746	13 347 306
VAT Payable		(8 773 815)	(7 822 370)
Total		27 907 930	5 524 936
Vat is accounted for on the payments basis.			
14	CURRENT PROVISIONS		
Reconciliation of movement in Provision for Leave pay			
Opening Balance		6 614 881	5 888 455
Provisions Raised		3 293 050	3 380 414
Amounts Used		(2 880 893)	(2 344 886)
Closing Balance		7 247 038	6 924 083
This provision relates to total number of accumulated leave days for 572 employees of the municipality as at 30 June 2016. Hence provision is disclosed, the municipality is uncertain about the timing of these possible outflows due to the fact that municipal employees will utilise their accumulated days continuously from time-to-time in future.			
15	OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Grant Received in Advance (RUBG)		13 361 415	
Grant Received in Advance (Indorosa Grant)		500	
Creditors Deceased Staff (EP Zulul)			4 444
Creditors (Tlw Mithethwa)		23 280	23 280
Creditors (LJ Shange)		179 399	179 397
Creditors (Un-retired Employees)		14 828	-
Total		13 579 523	207 123
17	OTHER FINANCIAL LIABILITIES		
Rental deposits held		-	2 905
Deposit - IEC		2 420	2 420
Deposit - WSSA		2 420	5 325
Rental deposits are held in terms of the signed rental agreement between Lessor and Lessee.			

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
18 SERVICE CHARGES			
Sale of water		17 652 927	21 011 818
Sewerage and sanitation charges		7 782 416	8 838 251
Total Service Charges		<u>25 445 343</u>	<u>29 848 179</u>
19 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		168 908	178 377
Total rentals		<u>168 908</u>	<u>178 377</u>
20 INTEREST EARNED - EXTERNAL INVESTMENTS			
Current Account		1 864 832	858 833
Call Accounts		1 752 263	1 176 982
Total Interest		<u>3 617 095</u>	<u>2 037 921</u>
22.1 REVENUE FROM NON-EXCHANGE TRANSACTIONS			
GOVERNMENT GRANTS AND SUBSIDIES			
DWAF Accelerated Community Infrastructure (Operational & maintenance)		6 000 000	3 500 000
DWAF Bulk Infrastructure Grant		167 868 518	82 868 484
Equitable share		322 708 000	297 420 000
Expanded public works Programme		3 800 000	2 488 000
Finance Management Grant		1 250 000	1 250 000
Grant: Rural Sanitation			
Indosha		1 815 000	1 726 000
Grant: Strategic Support		1 500 000	345 692
MIG Grant		221 359 000	241 622 000
MMMS		79 006 000	39 205 000
Municipal Systems Improvement Grant		840 000	834 000
Massification			
P700 Strategic Corridor		2 173 000	2 187 000
Shared Services Planning		2 162 805	462 789
Umtali Airport			
Training of Councilors			
Grants: ACIP			1 817 483
Drought Relief Grant (National Government)		32 470 924	4 449 747
Umtali Tourism Hub			-
TOTAL		<u>862 901 048</u>	<u>659 448 094</u>
Equitable Share			
water:			
MIG GRANT			
Balance unspent at beginning of year			
Current year receipts		221 359 000	241 622 000
Conditions met - transferred to revenue		(221 359 000)	(241 622 000)
Conditions still to be met - remain liabilities		-	-
<i>Provide explanations of conditions still to be met and other relevant information</i>			
Other Government Grants and Subsidies			
Balance unspent at beginning of year			
Conditions met - transferred to revenue		(862 801 048)	(659 448 094)
Conditions still to be met - remain liabilities		-	-
Changes in levels of government grants			
for the coming 3 financial years:			
22.2 Other Revenue from Non-Exchange			
Tempering Fee		27 781	37 964
Re-classified from Other Income (Tempering Fee)			
		<u>27 781</u>	<u>37 964</u>
23 OTHER REVENUE FROM EXCHANGE TRANSACTIONS			
Misadventure entry fee		54 103	58 854
New connections-sewerage		8 659	20 531
New connections-water		69 948	76 015
Reconnection fees-water		77 324	142 883
Sundry Income		12 522	110 852
Insurance Claims			
Sale of Aviation fuel		165 685	231 183
Revenue from flight tickets		2 944 933	2 348 380
Donations received		42 625	-
Discount Received		31 248	33 543
Fax and Clearance Certificate		163 500	-
Indosha Hall Hire		411	702
Telephone squatters recovered		-	124 829
Skills Levy Refunds		287 314	264 653
Late Payment		27 882	
Surplus cash			
Non-refundable tender deposit		388 350	288 787

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2014	2015
		R	R
Total		4 273 294	3 701 241
Correction of error (Note 38)		-	-
TOTAL		4 273 294	3 701 241

24 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	111 848 721	99 471 845
Employee related costs - Contributions for UIF, pensions and medical aids	22 605 536	23 312 285
Travel, motor car, accommodation, subsistence and other allowances	7 659 719	7 189 481
Housing benefits and allowances	957 677	823 136
Overtime payments	9 003 264	8 087 848
Other employee related costs	3 342 868	5 184 315
TOTAL EMPLOYEE RELATED COSTS	155 418 883	144 055 908

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2014 R	2015 R
Remuneration of the Municipal Manager			
Annual Remuneration		1 001 261	540 000
Performance- and other bonuses		182 443	174 828
Travel, motor car, accommodation, subsistence and other allowances		487 470	621 026
Contributions to UIF, Medical and Pension Funds		40 285	66 560
TOTAL		1 721 459	1 602 414

Remuneration of the Chief Finance Officer			
Annual Remuneration		737 525	360 000
Performance- and other bonuses		156 088	124 535
Travel, motor car, accommodation, subsistence and other allowances		332 403	742 818
Contributions to UIF, Medical and Pension Funds		49 601	71 004
TOTAL		1 375 738	1 298 358

Remuneration of Individual Executive Directors	Planning R	Technical Services R	Corporate Services R	Community Services R
2016				
Annual Remuneration	788 041	784 057	788 041	360 000
Performance- and other bonuses	152 007	120 006	120 006	120 000
Travel, motor car, accommodation, subsistence and other allowances	553 418	323 118	427 442	867 812
Contributions to UIF, Medical and Pension Funds	42 701	21 877	59 165	1 785
Total	1 497 167	1 322 056	1 375 654	1 379 603
2015				
Annual Remuneration				
Performance- and other bonuses	360 000	360 000	360 000	360 000
Travel, motor car, accommodation, subsistence and other allowances	113 213	101 862	101 862	101 862
Contributions to UIF, Medical and Pension Funds	782 018	775 947	802 781	768 855
Total	37 802	20 077	42 249	20 532
	1 308 034	1 257 915	1 306 822	1 282 079

25 REMUNERATION OF COUNCILLORS	R	
Mayor	698 597	748 028.00
Deputy Mayor	389 888	373 014.00
Speaker	613 223	593 622.00
Executive Committee Members	2 077 077	2 238 088.00
Councillors' pension and medical aid contributions	474 008	437 850
Councillors' allowances	2 401 135	1 832 732
Total Councillors' Remuneration	6 634 007	6 221 335

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has contracted bodyguards and three (3) full time drivers.

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
26.1 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		53 097 602	44 900 804
Intangible assets			188 608
Total Depreciation and Amortisation		53 097 602	45 070 211
Depreciation and amortisation expense was incorrectly charged due to the fact that asset categories were not compartmentalised.			
26.2 REPAIRS AND MAINTENANCE			
Repairs and maintenance: Building		592 707	2 737 204
Repairs and maintenance: Computers		6 325	63 738
Repairs and maintenance: Furniture and equipments		50 214	18 558
Operations and maintenance of water schemes		17 698 653	21 227 385
Refurbishment and maintenance - water schemes		4 581 837	12 307 596
Repairs and maintenance: Vehicles		8 078 980	4 782 548
Total		29 008 536	41 115 042
28 BULK WATER PURIFICATION AND SEWER TREATMENT			
Electricity		30 955 764	31 719 285
Sewerage		3 008 903	3 217 807
Water		38 183 844	39 243 337
Total Bulk Purchases		70 126 510	74 180 428
29 CONTRACTED SERVICES			
Contracted services for:			
Security Services		11 323 771	10 343 860
Meter reading Services		336 874	67 283
Cleaning Service		2 707 586	2 288 883
Internal Audit Services		1 838 801	2 155 125
Restated total		16 206 932	14 855 151
30 GRANTS AND SUBSIDIES PAID			
Abaqulusi Municipality			50 000
Nongoma Municipality			50 000
Pongola Municipality			50 000
Ulundi Municipality			50 000
Total			200 000
These grants comprise Tourism Grants to Local Municipalities, other tourism			
31 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		133 282	332 518
Audit fees		2 287 373	2 338 721
Bank charges		282 536	273 388
Conferences and delegations		13 767	50 852
Entertainment		274 577	470 810
Fuel and oil		7 011 400	7 612 273
Insurance		613 440	855 538
Membership fees (SALGA)		1 883 911	1 288 880
License fees (Vehicles)		530 567	423 010
License fees - Other		74 838	70 278
Pest Control		-	144 854
Postage		232 388	257 139
Printing and stationery		817 113	574 822
Professional fees		15 618 587	6 611 773
Rental of buildings		182 425	180 785
Rental of office equipment		718 834	788 884
Other rentals		184 821	388 214
Skills development fees		1 480 912	1 388 905
Stocks and material		62 471	287 805
Telephone cost		2 285 851	2 258 817
Training		1 384 154	1 707 237
Community & social expenditure		158 908 147	102 123 183
Travel and subsistence		9 807 822	9 536 164
Uniforms & overalls		872 819	708 858
Grants/ Projects expenditure			84 028 880
Total		205 429 743	204 718 127

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
32	GAIN ON SALE OF ASSETS		
Property, plant and equipment		83 837	187 118
Total		83 837	187 118
33	CASH GENERATED BY OPERATIONS		
Surplus for the year		351 781 818	140 885 136
Adjustment for:-			
Depreciation and amortisation		53 087 802	45 070 211
Gain on sale of assets			(167 118)
Donation Received (Assets)			
Interest - Investments		-3 817 095	(2 037 921)
Operating surplus before working capital changes:		401 272 423	182 783 306
Working Capital		(20 793 281.1)	(17 064 782)
(Increase)/decrease in trade and other receivables from exchange transactions		(4 065 844.7)	(4 311 844)
(Increase)/decrease in other receivables from non-exchange transactions		7 418 251	(8 814 788)
(Increase)/decrease in current provisions		432 157	845 425
(Increase)/decrease in prepayments		-58 877	864 458
(Increase)/decrease in VAT receivable		(22 362 803.4)	1 118 802
(Increase)/decrease in Other movements (Other Receivables)		(577 844.4)	-
(Increase)/decrease in Inventory		1 440 478	(2 221 775)
(Increase)/decrease in non-current receivables		245 948.8	(2 099 457)
(Increase)/(decrease) in trade and other payables from exchange transactions		(15 560 475.2)	(2 304 345)
Increase/(decrease) in consumer deposits		4 262	101 980
Increase/(decrease) in current taxes			
Increase/(decrease) in trade and other payables from non-exchange transactions		13 372 398	(355 692)
Increase in other non current financial liabilities			
(Increase)/decrease in other trade and other receivables from exchange transactions		(50 844.2)	(145 516)
Cash generated by/(utilised in) operations		380 479 142	175 668 554

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
Cash receipts from consumers, government and other			
Total revenue per statement of financial performance		896 439 448	703 034 570
Adjusted for items disclosed separately			
Interest received			(2 037 921)
Financial loss recovered			1 097 113
Adjusted for working capital		(17 550 590.8)	(15 531 154)
(increase)/decrease in trade and other receivables from exchange transactions		(4 065 844.7)	(4 311 844)
(increase)/decrease in other receivables from non-exchange transactions		7 418 251	(8 814 753)
(increase)/decrease in current provisions		432 157	945 425
(increase)/decrease in VAT receivable		(22 382 893.4)	1 178 802
(increase)/decrease in inventory		1 440 479	(2 221 775)
(increase) in non-current receivables		245 648.8	(2 086 457)
(increase)/decrease in Other movements		(577 844.4)	
(increase)/decrease in other trade and other receivables from exchange transactions		(30 644.2)	(145 518)
Cash receipts from consumers, government and other		878 651 858	686 563 007
Cash paid to employees, suppliers and other			
Total expenses as per statement of financial performance		(544 731 369.5)	(554 401 066)
Adjusted for non-cash items:		53 097 802	45 070 211
Depreciation		53 097 802	45 070 211
Adjusted for items disclosed separately			
Finance Costs			
Adjusted for working capital		(3 242 690.3)	(1 663 596)
(increase)/decrease in prepayments		-58 877	97 458
(increase)/decrease in trade and other payables from exchange transactions		(18 580 475.2)	(2 304 345)
(increase)/decrease in trade and other payables from non-exchange transactions		13 372 959	(355 692)
(increase)/decrease in consumer deposits		4 282	101 950
(increase)/decrease in current taxes and transfers payables (non-exchange)		-	-
(increase)/decrease in other current liabilities		-	-
(increase)/decrease in other current liabilities		-	-
Cash paid to employees, suppliers and other		(484 876 458)	(510 894 452)
34 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		6 000	8 000
Bank overdrafts		(33 437 872)	(45 488 859)
Net cash and cash equivalents (net of bank overdrafts)		(33 431 872)	(45 480 859)
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
35.1 Contributions to organised local government (SALGA)			
Opening balance			
Membership Fees		1 883 911	1 257 632
Amount paid - current		(1 883 911)	(1 257 632)
Amount paid - previous year			
Balance unpaid (included in payables)			

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

	Note	2016 R	2015 R
35.2	Audit fees		
	Opening balance		
	Current year audit fee	2 287 973	2 338 721
	Amount paid - current year	(2 287 973)	(2 338 721)
	Balance unpaid (included in payables)	-	-
35.3	PAYE and UIF		
	Opening balance		
	Current year payroll deductions	21 381 236	21 065 420
	Amount paid - current year	(21 381 236)	(21 065 420)
	Balance unpaid (included in payables)	-	-
35.4	Medical and Pension Contributions		
	Opening balance		
	Current year payroll deductions and Council Contributions	11 270 703.3	30 189 248
	Amount paid - current year	(11 270 703.3)	(30 189 248)
	Balance unpaid (included in payables)	-	-
35.5	The following Councilors had arrears accounts outstanding as at 30 June 2016:	Outstanding less than 90 days	Outstanding more than 90 days R
	as at 30 June 2016		
	Cllr PATN Buthelesi	251	1 974
	Cllr B J Mkwango	185	3 122
	Cllr I A T Mkhize	-	160
	Cllr T K Mkhize	282	1 480
	Cllr K E Nxumalo	85	1 519
	Total Councilor Arrear Consumer Accounts	803	7 734
	as at 30 June 2015		
	Cllr T B Lukhele	76	
	Cllr PATN Buthelesi	231	8 845
	Cllr I A Mkhize	53	
	Cllr B J Mkwango	201	790
	Cllr T K Mkhize	380	950
	Cllr K E Nxumalo	184	41 234
	Total Councilor Arrear Consumer Accounts	1 105	51 820

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2015 R	2014 R
35.6	Water losses averaged 2.1% during the year		2 656 571

Unaccounted for water comprises underground leaks, faulty meters, vandalism, reservoir overflow resulting from either faulty or malfunctioning ball valves. The Non Revenue Water Management Strategy is already in place. The municipality is currently drafting the business plan to source funding for the implementation of the Non Revenue Water Management Strategy.

35.7 Irregular Expenditure

Reconciliation of irregular expenditure

Opening balance	302 315	88 750
Irregular expenditure incurred during the year	79 853	312 384
Irregular expenditure condoned or written-off by council	(312 654)	(78 788)

Irregular expenditure awaiting condonement

69 514	302 315
--------	---------

Irregular expenditure relates to procurements that were made from companies who have directors or members who are in the service of the state. This was due to the members making misrepresentations on the Municipal Bidding Documentation (MBD 4) forms which are official declarations from National Treasury. Investigations are ongoing and further actions will be taken in accordance with the merits of each case. A legal opinion regarding the action that can be instituted has been obtained. However, the municipality does not have access to the database of government employees and cannot reasonably be expected to know all government employees. As a result, the declarations by members of respective companies are considered adequate. In June 2012 the municipality procured the services of a company that verifies the status of a company or individual before an appointment can be made. This has gone a long way to ensure that companies whose members are in the service of the state are not appointed.

35.9 Fruitless and Wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	12 185	41 198
Fruitless and wasteful incurred during the year	46 272	85 975
Fruitless and wasteful condoned or written-off by council	(52 908)	(54 689)
Fruitless and wasteful awaiting condonement	6 549	12 484

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

35.10 Report on Approved Deviations

Reconciliation of approved deviations

Opening balance		
Deviations incurred during the year	21 847 840	25 036 267
Deviations reported to council	(18 178 477)	(25 036 267)
Deviations awaiting reporting to council	3 669 363	-

Compliance with Municipal Supply Chain Management Regulations, paragraph 38.

ZULULANG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
35 CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure			
- Approved and contracted for		437 825 000	237 677 832
Infrastructure		437 825 000.0	236 716 816
Community			588 535
Other			371 281
- Approved but not yet contracted for		1 700 000	289 308 875
Community			
Heritage			
Other		1 700 000.0	5 848 000
Infrastructure			283 461 875
Total		<u>439 525 000</u>	<u>526 987 508</u>
This expenditure will be financed from:			
- Own Revenue		1 700 000.0	5 805 816
- Government Grants		437 825 000.0	520 178 691
Total		<u>439 525 000</u>	<u>526 987 508</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2014 R	2015 R
37	OPERATING LEASES		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year			115 818
In the second to fifth year inclusive			-
After five years			-
Total			<u>115 818</u>
Total future minimum sublease payment expected to be received under non-cancellable sublease			
Related party balances			
Loan accounts - Owning (to) by related parties			

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
38	CORRECTION OF PRIOR PERIOD ERROR		
These errors relate to misstatements for 2013/2015 (No. 0004) and more prior years (No. 0005) resulting from mathematical mistakes in applying accounting policies. These errors are corrected retrospectively. Some of these errors were due to misapplication of applicable accounting standards.			
Nature of prior period error			
Relating to 2014/2015			
Recognition of depreciation on SCADA System at Frischgeweargi (JN A031)			53 215
Recognition of depreciation on assets that were not recorded in the FAR (JN A028)			3 227
Recognition of depreciation on assets that were not recorded in the FAR (JN A029)			35 487
Recognition of a cancelled cheque no. 54121 (JN E004)			(189 400)
Recognition of a cancelled ELE 90011305 (JN E004)			(4 380)
Capitalisation of WIP that was not recognised during 2014/15 (JL E0163)			(517 785)
Capitalisation of WIP that was not recognised during 2014/15 (JL A033)			(2 082)
Recognition of assets that were not recorded in the asset register (JN A045)			20 537
Total restatement as at 30 June 2015			<u>(801 191)</u>
Prior period errors			
Correction of prior period errors			
Revenue:			
None			
Net effect			
Assets:			
Property Plant and Equipment (Accumulated depreciation)			35 487
Property Plant and Equipment (WIP)			(517 785)
Decrease in Property Plant and Equipment			3 227
Property Plant and Equipment (Accumulated depreciation)			53 215
Decrease in Property Plant and Equipment			20 537
Net effect			<u>(405 319)</u>
Liabilities:			
Trade creditors			(189 400)
Trade creditors			(2 082)
Trade creditors			(4 380)
Net effect			<u>(195 862)</u>

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note	2016 R	2015 R
Nature of prior period error		
Relating to 2013/2014 and period back		
Capitalisation of donated assets (JN A030)		(1 150 000)
Recognition of depreciation on assets that were not recorded in the FAR (JN A028)		312 934
Capitalisation of SCADA System at Frischgewang (JN A031)		(372 508)
Recognition of depreciation on SCADA System at Frischgewang (JN A031)		82 085
Recognition of assets that were not recorded (JN A045)		(178 382)
Recognition of assets that were not recorded (JN A045)		123 220
Total restatement as at 30 June 2014		(1 202 662)
Prior period errors		
Correction of prior period errors		
Assets:		
Property Plant and Equipment (Accumulated depreciation)		82 085
Property Plant and Equipment (MP)		(372 508)
Property Plant and Equipment (Additions)		(1 150 000)
Property Plant and Equipment (Accumulated depreciation)		312 934
Increase in Property Plant and Equipment (Additions)		(178 382)
Decrease in Property Plant and Equipment		123 220
Net effect		(1 202 662)

39 EMPLOYEE BENEFITS

Pension Benefits		
Council's share of contributions to retirement benefit funds were	13 069 005	11 914 821

As stated in the accounting policy note, all contributions to retirement benefit funds are treated as contributions to retirement contribution plans.

Defined Benefit Obligation		
Opening balance	15 733 000	
Current Service Cost	1 807 000	15 733 000
Interest cost	1 845 000.0	
Actuarial Gains-change in financial assumptions	(6 090)	
Actuarial Loss-experience variance	823 000	
Benefit payments	(42 000)	
	19 560 000	15 733 000

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Summary of key assumptions used

Summary of economic assumptions are:

Discount rate used	11.50%	8.5%
Healthcare cost inflation used	11.00%	8.9%
Net discount rate used	0.45%	0.55%

Discount rate

In line with GRAP 25 and current market practices, government bond yields are therefore used when setting our best-estimate discount rate assumption. The estimated discount rate of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 22 years, expected duration of the liability based on the current membership data as at 30 June 2015.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index (CPI) by a margin of 1% to 2%. The Bond Exchange of South Africa's real yield curve on index-linked bonds. The real yield curve is published together with the BESA yield curve on zero-coupon government bond yields, which is a normal yield curve.

The best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption. The CPI inflation assumption using this methodology is 8.90% as at 30 June 2015. Thus the healthcare cost inflation rate has been set as 8.80% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations. The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net discount rate is 0.55% (calculated as $(1 + \text{discount rate}) / (1 + \text{healthcare cost inflation rate}) - 1$) for the 30 June 2015 valuation.

Maximum subsidy cap

Members will receive a 60% subsidy of their contributions up to a maximum of the product equivalent to Key Health Medical Scheme's Gold option, per the benefits of the policy provided. For the purpose of the calculations, an assumption have been made that the monthly subsidies are capped at Key Health Medical Scheme's Gold option. Furthermore, the maximum cap has been assumed to increase with Healthcare cost inflation as determined above.

Employees of the municipality does enjoy post retirement medical benefits and the municipality has a legal or constructive obligation in this regard. The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a result there was no valuation performed in respect of this membership for the prior reporting period.

40 CONTINGENT LIABILITIES

Contingent liabilities comprises of:

2015

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Note	2015 R	2015 R
Claim for damages The Municipality is being sued by a plaintiff in respect of a balance due for services rendered by the plaintiff for a water supply scheme and tourism hub programme. The Municipality is defending the matter and has filed a plea and claim recoupment.		1 685 847.8
Claim for damages The Municipality is being sued by a plaintiff for alleged services rendered. The municipality is defending the claim and has filed a notice of intention to defend or a plea in order to dispute the matter.		147 807.5
Final demand for payment of outstanding water use charges The Department of Water and Sanitation has issued Zululand District Municipality a final demand letter for a payment amount in terms of National Water Act no. 36 of 1998.		35 696 326
Contingent Liabilities - 2015		37 489 982.9

2015

Claim for damages The Municipality is being sued by a plaintiff for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.	178 532.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.	128 811.0
Claim for damages The Municipality is being sued by a plaintiff out of the High Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.	1 538 248.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court as a result of alleged breach of a session. The Plaintiff obtained default judgement against the Defendant. The Defendant have successfully rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim.	190 213.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for damages as result of a motor vehicle collision. The Plaintiff obtained a default judgement against the Defendant. The Defendant have rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim.	35 200.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged breach of contract.	114 640.5
Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected outflows.	
Contingent Liabilities - 2015	2 186 544.5

41

CONTINGENT ASSETS
Contingent assets comprises of:

2015

Pending Notice of Objection to SARS VAT refund for the October 2014 tax period is in dispute. The amount of contingent asset is measured reliably.	€79 472
Stolen cheques A forensic investigation was conducted into the theft of Plaintiff's cheque and Defendant's staff was found acted negligently. Council is suing Defendant for damages and loss of money. Subsequent to the stealing of cheques, the court case has been finalized and the suspect convicted. Some funds were frozen and accordingly to our lawyers, it is probable that we may recover this amount from the Bank.	1 384 428

ZULULAND DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Note	2016 R	2015 R
Contingent assets - 2015			2 083 898

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected inflows.

42	FINANCIAL LOSS RECOVERED (Fraudulent Transactions)		
	Financial Loss Recovery from the Insurers		1 087 113
	Total		1 087 113

Financial Loss recovered from Insurers associated with stolen cheques.

43 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.

The Statement of comparison of Budget and actual amounts has been presented as a separate additional statement on page 8. The budget and actual financial statements are prepared on the accrual basis and covers the same period from 1 July 2013 to 30 June 2014.

44 CHANGE OF ACCOUNTING ESTIMATES

The useful lives of certain assets were re-estimated in 2013 and extended accordingly. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 61,893.

The effect of these has resulted to an increase in depreciation as follows:
Current Depreciation

Pre-change of estimate	Post-change of estimate
-	-

45 CAPITAL RISK MANAGEMENT

The capital structure of the municipality consist of accumulated surplus as disclosed in the statement of changes in net assets.

46 GEARING RATIO

The gearing ratio is nil since the municipality does not have long term liabilities.

47 FINANCIAL RISK MANAGEMENT

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risk include interest rate and liquidity risk. Compliance with policy and procedures is reviewed by internal auditors on a continuous basis as required by external auditor. The municipality does not enter into or trade financial instruments for speculative purposes.

48 LIQUIDITY RISK

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangement are established at competitive rates to ensure that cash flow requirements are met.

49	TRANSFER TO/FROM ACCUMULATED SURPLUS	2016	2015
	Motor vehicle	-	517 785
	This constitutes vehicles donated by KZN Department of Health to the municipality.		
50	BAD DEBTS	2016	2015
	Bad debts	1 344 707	8 248 053
	Council has taken a resolution to write off indigent irrecoverable debts.		

ZULULAND DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS

as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June -1	Received during the period	Redeemed / written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
Total long-term loans			-	-	-	-		
			-	-	-	-	-	
TOTAL EXTERNAL LOANS			-	-	-	-	-	

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016**

Gross Depreciation										Accumulated Depreciation									
as at 30 June 2016																			
	Opening Balance R'000	Correction of Error	Other adjustment	Additions R'000	Disposals R'000	Under Provision R'000	Closing Balance R'000	Opening Balance R'000	Correction of Error	Other adjustment	Depreciation on R'000	Disposals R'000	Impairment R'000	Closing Balance R'000	Transfers R'000	Other movements R'000	Carrying Value R'000		
Land	470 000						470 000										470 000		
Buildings	44 310 881	1 128 891					45 439 772	(10 716 800)	(238 117)		(1 128 192)		(12 274 118)				33 119 564		
Infrastructure Water & Sewerage Plant Other Sewerage Pipes	784 842 374 744 118 416	83 727		107 718	(72)		784 813 746 744 118 416	(162 889 088) (83 166 782)	(18 728)	817 546	(21 888 231) (20 716 807)		(181 872 287) (103 884 790)		176 410 443 185 051 464		778 351 789 835 385 008		
Capital Work in Progress Capital Work in Progress	1 330 780 790	83 727		107 718	(72)		1 330 832 162	(244 004 848)	(18 728)	812 546	(42 825 230)	38	(285 857 100)		370 481 887		1 013 556 899		
Community Assets Recreation Grounds	882 487 529 14 823 390	517 785				370 000 138	1 260 065 452								370 481 887		838 543 565		
	882 487 529	517 785				370 000 138	1 260 065 452								370 481 887		838 543 565		
	14 823 390						14 823 390	(770 222)			(2 118 800)		(2 823 740)				12 000 000		
	14 823 390						14 823 390	(770 222)			(2 118 800)		(2 823 740)				12 000 000		
Total carried forward	2 489 870 890	1 709 113		107 716	(72)	370 000 138	2 489 738 868	(255 481 600)	(248 728)	812 546	(42 825 230)	38	(287 685 837)		4,000		2 587 719 514		

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
RE: 30 JUNE 2016**

Cost / Acquisition										Accumulated Depreciation									
30 Jun 2016										30 Jun 2016									
	Opening Balance R1000	Correction of Error	Other adjustments	Additions R1000	Disposals R1000	Under Construction R1000	Closing Balance R1000	Opening Balance R1000	Correction of Error	Other adjustments	Depreciation R1000	Disposals R1000	Impairment Investment loss R1000	Closing Balance R1000	Transfers R1000	Other movements R1000	Carrying Value R1000		
Total brought forward	2 480 570 890	1 708 113	-	107 716	(773)	378 000 138	2 858 746 586	(255 491 809)	(658 723)	812 884	(45 178 580)	39	-	(201 038 667)	-	-	2 597 750 518		
Other Assets	1 089 122	-	-	-	(128 388)	-	960 734	(882 380)	(57 854)	(970 519)	(184 489)	104 175	-	(1 941 589)	-	-	(844 472)		
Office Equipment	1 089 427	74 320	-	-	(18 820)	-	1 749 897	(880 867)	(113 271)	(1 113 271)	(240 589)	11 730	-	(840 038)	-	-	813 841		
Furniture & Fixtures	151 746	-	-	-	-	-	151 746	(118 364)	(57 730)	(176 094)	(138 462)	-	-	(133 112)	-	-	20 634		
Emergency Equipment	47 274 325	78 072	-	-	-	-	45 880 859	(23 585 331)	(65 730)	(72 546)	(6 298 872)	1 068 578	-	(27 038 478)	-	-	18 602 357		
Motor vehicles	5 028 177	-	-	200 244 84	(448 388)	-	4 788 037	(2 888 880)	(104 574)	(104 574)	(202 580)	608 214	-	(3 250 882)	-	-	1 585 586		
Computer Equipment	3 243 843	364 180	-	81 144	(81 870)	-	3 604 489	(1 712 644)	(124 221)	(222 809)	(686 180)	81 170	-	(2 573 642)	-	-	1 030 869		
Other Assets	58 378 120	518 572	-	481 208	(2 482 813)	-	58 875 885	(28 219 217)	(247 735)	(1 380 230)	(8 544 389)	2 318 873	-	(28 473 483)	-	-	21 438 398		
Finance Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total	2 539 349 390	2 218 685	-	689 825	(2 457 855)	378 000 138	2 815 700 444	(284 711 328)	(697 477)	(577 640)	(53 861 288)	2 318 872	-	(238 811 139)	(0)	-	2 579 189 307		

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016**

	COST / APPROPRIATION					REVALUED DEPRECIATION											
	Opening Balance R'000	Reclassification R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Reclassification R'000	Depreciation R'000	Correction of error	Disposals R'000	Impairment loss R'000	Closing Balance R'000	Transfers R'000	Other movements R'000	Carrying Value R'000	
Land	470 000					470 000										470 000	
Buildings	43 470 034	(13 083 371)				29 386 663	(10 096 757)		(1 227 417)	597 416			(10 498 339)	14 536 220		30 888 453	
Infrastructure Water & Sewerage net	637 068 573	12 531 535		(1 438 418)		648 161 690	(137 503 394)		(26 716 822)	13 173 428	11 363		(160 056 186)	130 632 648	(23 871)	623 783 300	
Water & Sewerage Pipe	744 118 416					744 118 416	(83 146 783)						(63 146 783)			680 971 633	
	1 387 394 088	12 531 535		(1 438 418)		1 385 200 105	(220 648 148)		(23 716 822)		11 363		(243 180 970)	126 632 145	(23 871)	1 264 755 945	
Capital Work in Progress	813 181 437				22 804 582	1 035 026 019								(480 514 400)		624 497 598	
Capital Work in Progress	813 181 437	12 531 535			22 804 582	1 035 026 019								(480 514 400)		624 497 598	
Community Assets Recreation Grounds	14 623 380					14 623 380	(443 840)		(435 827)	(340 754)			(780 220)	(480 514 400)		14 143 160	
	14 623 380					14 623 380	(34 440)		(238 877)				(780 220)			14 143 160	
Total carried forward	2 254 116 859	(1 161 830)		(1 438 418)	22 804 582	2 481 414 187	(220 648 148)		(27 448 260)		11 363		(254 067 797)	(10 443 470)	(23 871)	2 226 478 535	

**APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2016**

	Cost / Revaluation					Accumulated Depreciation				
	Opening Balance R'000	Reclassification R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Opening Balance R'000	Reclassification R'000	Depreciation R'000	Disposals R'000	Impairment headroom of Impairment (Loss) R'000
Total brought forward	2 254 145 439	-	-	229 848 592	2 482 994 031	(230 750 845)	-	(27 349 346)	11 413	(254 667 237)
Other Assets	1 067 066	-	-	-	1 067 066	(221 336)	-	(273 297)	11 444	(662 689)
Office Equipment	860 776	-	-	-	1 062 477	(266 459)	-	(192 587)	367	(550 681)
Books and Computers	153 146	-	-	-	153 146	(116 114)	-	(116 114)	-	(119 344)
Emergency Equipment	47 277 003	2 122 898	-	-	47 277 325	(116 630 005)	-	(9 483 889)	1 376 841	(23 385 511)
Motor vehicles	-	-	4 439 609	-	4 439 609	(9 483 889)	-	(9 483 889)	-	(23 385 511)
Fra engines	-	-	-	-	-	-	-	-	-	-
Relious vehicles	4 411 478	-	-	-	4 411 478	(7 036 566)	-	(7 036 566)	1 782	(2 498 608)
Computer Equipment	-	-	623 464	-	623 464	(7 036 566)	-	(7 036 566)	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-
Other "small"	3 122 182	-	121 080	-	3 243 262	(850 257)	-	(850 257)	-	-
Finance Lease Assets	32 015 213	2 122 898	5 816 599	-	39 378 890	(22 458 439)	-	(7 551 256)	1 380 433	(28 219 717)
Office Equipment	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total	2 302 161 033	-	5 938 698	229 848 592	2 536 948 492	(233 189 289)	-	(44 900 004)	1 491 816	(283 887 454)
										(10 443 479)
										(823 871)
										2 255 799 891

APPENDIX C
ANALYSIS OF HERITAGE ASSETS
as at 30 June 2016

	Cost / Revaluation							Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Impairment loss/Reversal of impairment loss R'000	Transfers R'000	
Art collection	1 151 452	-	-	-	1 151 452	-	-	1 151 452
Work in Progress	1 151 452	-	-	-	1 151 452	-	-	1 151 452
Antiquities	-	-	-	-	-	-	-	-
Stamp collections	-	-	-	-	-	-	-	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-
Collections of rare books or manuscripts	-	-	-	-	-	-	-	-
Collection of rare books	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-
Graves and burial grounds	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-
Total	1 151 452	-	-	-	1 151 452	-	-	1 151 452

APPENDIX C
ANALYSIS OF HERITAGE ASSETS
as at 30 June -1

	Cost / Revaluation							Carrying Value R'000
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000	Closing Balance R'000	Impairment loss/Reversal of impairment loss R'000	Transfers R'000	
Art collection	1 151 452	-	-	-	1 151 452	-	-	1 151 452
Work in Progress	1 151 452	-	-	-	1 151 452	-	-	1 151 452
Antiquities	-	-	-	-	-	-	-	-
Stamp collections	-	-	-	-	-	-	-	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-
Collections of rare books or manuscripts	-	-	-	-	-	-	-	-
Collection of rare books	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-
Graves and burial grounds	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-
Total	1 151 452	-	-	-	1 151 452	-	-	1 151 452

ZULULAND DISTRICT MUNICIPALITY

for the year ended 30 June 2016															
Cost / Revaluation					Accumulated Depreciation										
Opening Balance	Prior Year Adjustment	Additions		Under Construction	Disposals	Closing Balance	Opening Balance	Prior Year Adjustment	Additions		Disposals	Closing Balance	Transfers	Other movements	Carrying value R
		R							R						
Executive & Council	1 126 601	-	-	-	-	45 915 592	(10 696 539)	(339 997)	(1 238 162)	-	-	(12 274 698)	-	-	33 640 994
Finance & Admin	452 392	-	388 065	-	(2 365 943)	53 155 615	(27 387 690)	(123 534)	(6 322 379)	-	2 225 703	(32 788 814)	(0)	-	20 386 801
Planning & Development	388 180	-	94 144	-	(91 670)	3 604 406	(1 712 644)	(124 221)	(585 158)	-	91 170	(2 573 542)	-	-	1 030 953
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	14 933 380	-	-	-	-	14 933 380	(780 220)	-	(2 133 560)	-	-	(2 923 780)	-	-	12 009 600
Public Safety	163 746	-	-	-	-	163 746	(119 384)	-	(16 802)	-	-	(133 112)	-	-	20 634
Water	2 421 248 319	-	107 716	376 000 138	(72)	2 797 937 614	(244 004 949)	(19 725)	(42 625 238)	39	-	(295 637 190)	-	-	2 512 100 424
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2 559 349 390	2 218 685	589 925	376 000 138	(2 457 685)	2 815 700 442	(284 711 325)	(607 477)	(52 931 258)	2 313 912	(338 511 135)	(0)	-	-	2 579 169 387

ZULIJLAND DISTRICT MUNICIPALITY

APPENDIX E

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2016

2015		2015		2016		2016	
Actual Income		Actual Expenditure		Actual Income		Actual Expenditure	
R		R		R		R	
			Surplus / (Deficit)				Surplus / (Deficit)
			R				R
308 125 154		44 670 777	(44 670 777) Executive & Council	-		44 859 960.31	(44 859 960)
9 531 613		114 813 770	193 311 384 Finance & Admin	357 440 293		111 173 774.00	246 266 519
8 387 680		17 215 935	(7 684 322) Planning & Development	6 795 605		16 347 197.00	(9 551 592)
378 254 755		42 797 199	(34 409 519) Community & Social Services	1 869 109		42 195 997.00	(40 326 888)
		334 903 386	43 351 369 Water & Sanitation	530 418 279		328 876 728.00	201 541 551
704 299 202		554 401 067	149 898 135	896 523 286		543 453 656	353 069 629

ZULULAND DISTRICT MUNICIPALITY
APPENDIX F

in the Revenue and Expenditure Quarterly Report in terms of §123 of the NWHA Act

[illegible]

Zululand District Municipality									
Appendix G									
Statement of comprehensive and actual information									
Both the Annual Budget and Financial Statements Adopt Actuals basis									
Description	2019/2020								
	Original Budget	Budget Adjustments	Variance	Final Budget	Actual Outcome	Expenditure	Variance	Ca % of Final	as % of Original
	1	2	3	4	5	6	7	8	9
Financial Performance									
Service Charges	31 668 405	(6 223 063.00)		25 445 342.45	25 445 343.07			100.00	80.35
Transfers recognised - operational	336 761 000	2 050 298.00		338 811 298.00	340 193 605.04			100.41	101.02
Other own revenue	96 514 784	43 919 207.00		140 433 991.33	8 093 058.34			5.76	8.39
Total Revenue	464 944 190	39 746 442.00		504 690 631.78	373 732 006.45			74.05	189.75
Employee costs	149 590 695	12 997 496.00		162 578 191.00	155 418 983.27			95.60	103.90
Remuneration of councillors	6 175 455	150 000.00		6 325 455.36	6 634 006.91			104.88	107.43
Bad Debts					3 637 348.90				
Depreciation	32 565 000	16 100 000.00		48 665 000.00	53 097 801.96			109.11	153.05
Repairs and Maintenance	34 035 000			34 035 000.00	29 008 635.58			85.23	85.23
Employee benefits									
Materials and Bulk Purchases	84 868 000	(5 000 000.00)		79 868 000.00	70 126 510.21			87.80	82.63
Transfers of grants	1 861 000	(1 831 000.00)		30 000.00					
Other expenditure	149 911 040	13 053 009.00		162 964 049.66	222 981 382.69			136.83	148.74
Total Expenditure	458 996 190	35 469 505.00		494 465 695.03	540 904 368.52				
Surplus / (Deficit)	5 948 000	4 276 837.00		10 224 836.75	(167 172 362.07)				
Transfers Recognised - capital	497 438 000	27 316 820.00		524 754 820.00	524 754 820.00				105.49
Contributions Recognised									
Surplus/Deficit after capital transfer	503 308 000	31 593 757.00		534 901 756.75	357 582 456.93				
Capital Expenditure	503 396 000	26 316 820.00		529 702 820.00	526 354 820.00			99.37	104.56
Transfers recognised - capital	497 438 000	27 316 820.00		524 754 820.00	524 854 820.00			100.00	105.49
Public contributions									#DIV/0!
Borrowings									#DIV/0!
Internally Generated funds	5 848 000.00	(1 000 000.00)		4 848 000	1 500 000.00			30.94	25.65
Total Sources of capital funds	503 396 000.00	26 316 820.00		529 702 820.00	528 354 820.00			99.37	104.56

Due to the appropriation of accumulated reserves used to finance the budget

Based on actual debt impairment Other Assets are purchased at different intervals during the year and some were not capitalised since they are still in progress but they have been capitalised

Savings achieved

No budget for employee benefits

Funded organisations could not prove prior year expenditure and it was agreed that money will not be transferred

Rural sanitation budget is not allocated to operating budget since its capital in nature, but does not qualify to be an asset, that resulted to the expenditure being operating and included in the financial performance